

909 206.00

Lease No.

OIL AND GAS LEASE (PAID-UP)

This Agreement, made the **15th** day of **JULY, 2008** between **WILLIAM MCDONALD, a married man dealing in his sole and separate property**, whose address is **253 SNOWDEN ROAD HOOKSTOWN, PA 15050** hereinafter called Lessor, and **Equitable Production Company**, a Pennsylvania corporation, with an office at 1710 Pennsylvania Avenue, Charleston, WV 25302, hereinafter called Lessee.

WITNESSETH: That the Lessor, in consideration of One Dollar (\$1.00), in hand paid by the Lessee, receipt of which is hereby acknowledged, and of the covenants and agreements hereinafter contained, hereby grants, conveys, demises, leases and lets exclusively unto the Lessee, its successors and assigns, all that certain tract of land hereinafter described, for the purpose, and with the exclusive right, of exploring for, operating for, producing and marketing, using methods and techniques which are not restricted to current technology, oil and gas ("gas" as the term is used in this Agreement includes, but is not limited to coal seam gas, coalbed methane gas, coalbed gas, methane gas, gob gas, occluded methane/natural gas and all associated natural gas and other hydrocarbons and non-hydrocarbons contained in, associated with, emitting from, or produced or originating within any formation, gob area, mined-out area, coal seam, and all communicating zones), and their liquid or gaseous constituents, whether hydrocarbon or non-hydrocarbon and all products produced therewith or which may be derived therefrom. Ancillary Rights. The rights granted to Lessee hereunder shall include exclusive rights (a) to store gas of any kind, regardless of the source thereof, in the oil and gas strata underlying the land herein leased, including the injecting of gas therein and removing the same therefrom; (b) to protect stored gas; (c) to complete and operate injection wells for the disposal of produced fluids; (d) to conduct geological and geophysical surveys and explorations; (e) to stimulate or fracture all coals or other strata or formations; (f) to pool or unitize the leased premises or part thereof with other lands to form operating units for any or all of the purposes of this Agreement; (g) of ingress and egress on the leased premises or lands pooled or unitized therewith; (h) of perpetual right-of-ways and servitudes that run with the land, and ingress and egress thereto, for pipe lines, power lines, roads, water lines, telephone and telegraph lines, tanks, water wells, disposal wells, ponds, pits, power stations, structures, facilities, improvements, compression equipment, meters, houses and buildings (collectively, "improvements"). Said rights-of-ways and servitudes shall include the rights to lay, construct, use, maintain, operate, change, replace and remove such improvements. Such rights-of-ways and easements, and ingress and egress thereto, will survive the termination of this Agreement; (i) of, but without obligation, either during or after the term hereof, to remove all and any property and improvements which Lessee, its successors and assigns, may place or erect on the leased premises; (j) of, but without obligation, either during or after the term hereof, to plug, abandon or sell any well or wells drilled on the leased premises; (k) to transport through the leased premises any and all oil and gas and other hydrocarbons and non-hydrocarbons produced by Lessee, its successors and assigns, from the leased premises or any other property under the ownership, lease or control of Lessee, its successors and assigns, including the rights to use the aforescribed improvements for such transportation; (l) of ingress and egress on the leased premises or lands pooled or unitized therewith to access any property under the ownership, lease or control of Lessee, its successors and assigns; and (m) all other rights and privileges necessary, or deemed necessary or convenient by Lessee, its successors and assigns, incident to or convenient for the economic operation of this land, and any other lands, the oil or gas rights in which, or the control thereof, Lessee now has or owns, or which may be hereafter acquired by Lessee, its successors and assigns, by any manner of conveyance or contract, for oil or gas, and associated hydrocarbons and non-hydrocarbons with the right to use, for such purposes, free of charge, oil, gas and water, produced from or on the leased premises.

Said land is situate in **GREENE** Township, **BEAVER** County, State of **PENNSYLVANIA** bounded and described as follows:

Tax ID #: 62-201-137

On the North by the lands of: **Leon McElhaney** (Tax ID# 62-201-150.1)
Gene Frasier (Tax ID# 62-201-145)
On the East by the lands of: **Ferdinand Mondine** (Tax ID# 62-201-138.1)
On the South by the lands of: **Multiple Small Tracts**
On the West by the lands of: **Paul Rambo** (Tax ID# 62-201-136)

Containing **39.880 acres**, more or less, including that certain real property conveyed to Lessor by **PETER J. LOSCHIAVO** by deed recorded in **Deed Book 1126 Page 634** in the Office of the Clerk of the County Commission of **Beaver County**.

TO HAVE AND TO HOLD said lands and privileges for the said purposes for and during the period of **FIVE (5) years** from **JULY 15, 2008**, and for as long thereafter as the leased premises or other lands with which the leased premises or part thereof is pooled or unitized are operated in the search for or production of oil or gas, or as long as the same is used for underground storage of gas and the removal thereof, either through the operation of a well or wells on the above described tract of land or on tracts in the same storage field, or as long as said land is used for the protection of stored gas, alone or in conjunction with other lands, or used for the injection or disposal of produced fluids and in the event oil or gas is found in paying quantities and later becomes exhausted, this Agreement shall continue in force for one (1) year after all wells on the leased premises, or on the part or parts thereof pooled with other land or leases in the vicinity thereof, have been plugged in compliance with State and/or Federal Regulations, all with an extended term by payment of rentals as hereinafter set forth. It is expressly understood and agreed that the Lessee shall be the sole judge as to whether gas is being stored in said land, held in storage therein, or whether said land is being used for the protection of stored gas, or for the injection or disposal of produced fluids and Lessee's determination thereof shall be final and conclusive.

Lessee agrees to commence a well on said premises on or before the **15TH of JULY, 2013**. This lease is a paid-up lease requiring no delay rental payments.

At the end of the primary term, as hereinabove stated, and when said land is used for the storage of gas (but there is no well on said land), or for the protection of gas storage on lands in the general vicinity, or for the injection or disposal of produced fluids, the Lessee covenants and agrees to pay to the Lessor, quarterly in advance, an annual rent of **\$5.00** per acre per annum until a well is completed for production or this Agreement is surrendered by Lessee in its sole discretion. At the end of the primary term as hereinabove stated, Lessee shall pay Three Hundred Dollars (\$300.00) per year in quarterly installments payable in advance for each well utilized or classified by the Lessee as a gas storage well or disposal well, except that in the event said storage or disposal well payment is less than the Lessor would receive as rental, then the Lessee shall pay to the Lessor in addition, the difference between the well payment and the said rental payment. Lessee shall have the right to install and maintain on said premises all necessary equipment and appliances to do any and all other things as may be reasonably necessary for the purpose of utilizing said premises for the production and storage of gas, as well as the injection of gas therein and the removal of same therefrom and for the disposal of produced fluids.

Lessee is hereby given the right at its option, at any time from the date hereof while this agreement shall be in effect and from time to time within such period, to pool all or any part or parts of the leased premises or rights therein with any other land in the vicinity thereof, or with any leasehold, operating or other rights or interests in such other land to create units of such size and surface acreage as Lessee may desire, but containing not more than 640 acres plus 10% acreage tolerance. If at any time larger units are required under any then applicable law, rule, regulation or order of any governmental authority for the drilling, completion, or operation of a well, any such unit may be established or enlarged to conform to the size specified. Each unit may be created by governmental authority or by a written declaration-notice executed by Lessee and delivered to Lessor containing a description of the unit so created, specifying the mineral stratum or horizon so pooled, if so limited. Any well which is commenced, or is drilled or is producing on any part of any lands theretofore or thereafter so pooled shall, except for the payment of royalties, be considered a well commenced, drilled, and producing on the lands hereby leased. There shall be allocated to the portion of the leased premises included in any pooling such proportion of the actual production from all lands so pooled as such portion of the leased premises, computed on an acreage basis, bears to the entire acreage of the lands so pooled. The production so allocated shall be considered for the purpose of payment or delivery of royalty to be the entire production from the portion of the leased premises included in such pooling in the same manner as though produced from such portion under the terms of this Agreement. Each of said options may be exercised by Lessee from time to time, and a unit may be formed either before or after a well has been drilled or production has been established on the leased premises or on a portion of the leased premises which is included in the pool or on other lands which are pooled therewith. Lessee waives any rights to notice, hearing and objection concerning the pooling or unitization of the leased premises under federal, state and local laws, statutes and regulations.

It is agreed that said Lessee may drill or not drill on the leased premises as it may elect, and the consideration and rentals paid, and to be paid constitute adequate compensation for such privilege. There shall be no implied covenant to develop, produce, market, or drill one or more wells within the primary term, any extension thereof, or the secondary term of this Agreement.

The Lessee shall pay monthly to Lessor a royalty of one eighth (1/8th) of the net proceeds realized from the sale of all oil produced and sold from the premises after deducting charges for making it merchantable and transporting the oil to the point of sale, and shall pay monthly to Lessor for all gas produced and sold from the leased premises, a royalty equal to one-eighth (1/8th) of the Amount Realized (as defined below) by Lessee from the first sale of such gas. The Lessor will be paid a royalty based on the volumes of oil and gas sold by Lessee and shall not be entitled to royalty payments for any volumes not sold, regardless if produced or measured at any point other than the point of sale. The "Amount Realized" is the amount received by Lessee at the first point of sale from the sale of gas minus any and all reasonable and actual post production costs and expenses incurred by Lessee and/or its affiliates between the wellhead and the point of sale, including, but not limited to, costs associated with the following: gathering and/or transporting the gas from the well to the point of sale (including line loss); and compressing (including the cost of electricity, gas or other fuel); and desulphurization and purification; and treating; and dehydrating; and extracting; and processing; and storage; and marketing; and sweetening; and removal of liquid or gaseous substances or impurities from the gas. Such expenses and costs shall include all costs and fees charged to or incurred by Lessee and shall include, but may not be limited to, charges for operation and maintenance (including labor and materials), taxes (severance, ad valorem, and other production related taxes), depreciation of pipe lines or equipment based on accepted accounting practices, interest, insurance (workmen's compensation, unemployment compensation, group and annuity) and overhead charges. Lessee shall have the right to allocate post production costs and expenses in its reasonable discretion.

When all wells, except gas storage or disposal wells, on said land are shut in by Lessee for a continuous period of thirty (30) days or longer, the Lessee shall pay to the Lessor a shut-in royalty in the amount of **\$79.76** annually, prorated on a monthly basis, payable monthly, quarterly, annually, or at the end of such shut in period.

All monies payable to Lessor hereunder may be paid by checks payable as follows: **WILLIAM MCDONALD**, delivered in person or mailed to payee at **253 SNOWDEN ROAD HOOKSTOWN, PA 15050** and the delivery of said checks or their deposit in the mail, properly stamped and addressed as above provided, shall constitute full payment of the amounts shown thereon. If the amount payable to Lessor for any payment due hereunder is less than fifty dollars (\$50.00) Lessee may withhold payments until the amount due exceeds fifty dollars (\$50.00).

Lessor warrants generally and agrees to defend title to the leased premises. If the Lessor does not have title to all the oil and gas under the above described premises, Lessor agrees on demand made to refund rental and royalty paid, and release Lessee from the payment of future rental and royalty, in the proportion that the outstanding interest or title bears to the whole tract. If the acreage or area herein recited is in excess of the true quantity of land in said premises, Lessor agrees upon demand made to refund rental paid and to release Lessee from the payment of future rental in the proportion that the excess of recited acreage over the true acreage in the leased premises bears to the recited acreage. If the recited acreage or area be found to be less than the true quantity of land in said premises, Lessee, on demand made, shall pay up the arrears or deficiency in rental payments on the basis of the excess of the true over the said recited acreage and thereafter pay the rental under this Agreement on the basis of the true acreage.

In the event of the death of any person entitled or authorized, or who may hereafter be authorized or entitled hereunder to receive rental or royalty, the Lessor for himself, his heirs, personal representatives and assigns, covenants that notice in writing on a form prepared by Lessee, executed by all of such heirs, representatives or assigns, shall be delivered to the Lessee, its successors or assigns, including but not limited to a statement including (1) the date of such death and the name or names of the person or persons succeeding to the right to receive such money, (2) the proportions in which said money is to be divided between said persons, and (3) the mailing address of each of such persons; and until the receipt of such notice strictly conforming to the provisions hereof, the Lessee may withhold the payment of such rental or royalty without incurring any liability or prejudicing its rights under this Agreement; and in case a dispute arises at any time as to the amount of payments or the proper payee thereof, Lessee may withhold the same, without liability or interest on the money withheld, until the right thereto is determined either by written agreement between the disputing parties or by final order of a court of competent and final jurisdiction, in a suit to be filed and prosecuted to judgment by and between the disputing parties, or, in an action of interpleader, instituted by Lessee or its assigns and until such agreement or certified copy thereof, or certified copy of such judgment be filed with Lessee, its successors or assigns.

In the event this Agreement or any part thereof or any rights thereunder shall be transferred by Lessor, its heirs, personal representatives or assigns, Lessor, for himself, his heirs, personal representatives or assigns, covenants with Lessee, its successors and assigns, to furnish a certified copy of the recorded instrument by which said transfer shall be effected, together with a memorandum of the mailing address of such transferee; and until such covenant shall be strictly complied with all rental or royalty then or thereafter falling due may be withheld without rendering liable or prejudicing the rights hereunder of Lessee, its successors or assigns; and in case a dispute arises at any time as to the amount of payments or the proper payee thereof, Lessee may withhold the same, without liability or interest on the money withheld, until the right thereto is determined either by written agreement between the disputing parties or by final order of a court of competent and final jurisdiction, in a suit to be filed and prosecuted to judgment by and between the disputing parties, or, in an action of interpleader, instituted by Lessee or its assigns and until such agreement or certified copy thereof, or certified copy of such judgment be filed with Lessee, its successors or assigns.

If the leased premises are hereafter owned in severalty or in separate tracts the premises, nevertheless, shall be developed and operated as an entirety, and royalties shall be paid to each separate owner in the proportion that acreage owned by him bears to the entire leased acreage.

It is hereby agreed that in the event this Agreement shall be assigned by Lessee as to a part or parts of the above described lands, and the privilege of assigning, mortgaging and encumbering in whole or in part without consent is expressly granted, and the assignee or assignees of such part or parts shall

It is further agreed that no wells shall be drilled within two hundred (200) feet of the principal buildings upon said land except by mutual consent; and that the Lessee shall only be liable for, and shall pay for, any and all injury done to growing crops and fences as a direct result of its operations hereunder.

Prior to the expiration of the primary term hereof, Lessee, his heirs, successors, and assigns, shall have the right and option to extend the primary term hereof for an additional five (5) years by making an extension payment to Lessor, his heirs, successors or assigns equal to the per acre bonus amount paid to Lessor upon the execution of this lease. All other terms, conditions and stipulations of said lease shall remain in full force and effect if such option is exercised. If during the primary term or any extension thereof of this Agreement, Lessor receives an acceptable bona fide offer to enter into an additional lease (often referred to as a "top lease") covering all or a portion of the leasehold premises, Lessee shall have a right of first refusal to acquire a top lease on comparable terms and conditions. Such bona fide offer to Lessor must be in writing, setting forth the proposed lessee's name, bonus consideration and royalty consideration to be paid for such top lease, and incorporating the lease form evidencing all terms and conditions of the proposed top lease. Lessee shall have fifteen (15) days after receipt from Lessor of such top lease offer to advise Lessor in writing of its election to enter into an oil and gas lease (the "second lease") with Lessor on equivalent terms and conditions; said second lease would go into effect only upon the expiration or termination of this Agreement. Lessor shall not have the right to grant any top lease in violation of this provision, and any top lease granted in violation of this provision shall be null and void.

Lessor agrees that any dispute or claim arising out of this Agreement shall be settled at Lessee's request (and at its sole discretion) by binding arbitration under the Commercial Arbitration Rules of the American Arbitration Association or similar rules. The forum for any dispute, whether arbitration or litigation, shall be Charleston, West Virginia. Lessor agrees to submit to the jurisdiction of the arbitration panel at such venue. The award rendered by the arbitrator(s) shall be final, and judgment upon the arbitration award may be entered in any court having jurisdiction thereof.

It is further agreed that the Lessee, its successors or assigns, shall have the right to surrender this Agreement at any time upon the payment of One Dollar (\$1.00) and all amounts accrued hereunder to the date of said surrender, and upon such surrender the Lessee shall be relieved from further payment of rental or royalty and the performance of any other of the covenants contained herein. This Agreement shall not be placed of record by Lessor. Lessor shall, at Lessee's option, execute a memorandum of lease concerning this Agreement. Lessee shall, when requested by Lessor upon Lessee's abandonment or surrender thereof, give to the Lessor a proper release duly acknowledged, and the Lessor agrees that the recordation of a deed of surrender, in general terms to the Lessor, his heirs, personal representatives, or assigns, in the proper county and deposit in the mail of a check payable as above provided for said last mentioned sum and all amounts then accrued hereunder, shall be accepted as full and legal surrender of the Lessee's rights under this Agreement. If any provision of this Agreement is held invalid or unenforceable by a court of competent jurisdiction, the other provisions of this Agreement will remain in full force and effect.

It is expressly agreed between the parties that this instrument embraces the entire understanding and contract between the parties; and any agreements or representations, verbal or written, made by any person on behalf of either the Lessor or the Lessee not contained in this Agreement are unauthorized and do not bind the parties. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Agreement and all of which will be deemed to comprise one single agreement.

In the event of a conflict of inconsistency between the printed items of this lease and these added terms of this lease, the added terms shall control and be deemed to supersede the printed terms of the lease.

If Lessor owns the surface of the Leased Acreage, Lessor may lay at its own expense a line to one (1) gas well operated on the leased premises by Lessee under the terms of this Lease, to take gas free up to the amount of Two Hundred Thousand (200,000) cubic feet per annum for Lessor's own use for heat and light in one building located on the lease premises at Lessor's own risk and sole expense, subject to the use, operation and right of abandonment of the well by the Lessee, and only so long as said well produces gas in excess of paying quantities (as determined in Lessee's sole discretion); however, in lieu of Lessor having the ability to take free gas hereunder, Lessee may, at Lessee's option, pay Lessor the sum of \$2,000.00 per year in advance. If Lessee elects the option to pay Lessor in lieu of free gas, such payment shall be due and payable by January 30th of each calendar year during the Term or any Extended Term hereunder. In the event Lessee has not elected the option to pay Lessor in lieu of free gas, and Lessor elects to take free gas as provided herein, Lessor shall enter into Lessee's standard domestic gas agreement (sometimes referred to as a free gas agreement) and shall subscribe to and be bound by the reasonable rules, rates and regulations of the Lessee, or their assigns, with respect to such gas. Lessee shall not be liable for any shortage or interruption in the use of gas by the Lessor from any cause whatsoever, resulting from the Lessee's own act or from operations in production or transportation of gas or variance in gas pressure. Any gas used by the Lessor in excess of the said 200,000 cubic feet per year ("overburn") shall be paid for by Lessor at Lessee's then published tariff rate for domestic gas service, or if no such tariff rate exists then at a rate set by Lessee. Lessee is authorized to deduct the dollar amount owed by Lessor for overburn from any royalty or other payments due to Lessor under this Lease. Lessee shall designate the point of Lessor's connection and shall furnish, install, maintain and operate a meter to monitor Lessor's use of gas. Lessor shall furnish, install, maintain and operate at its sole risk, cost, and liability, a regulator of standard make, and all pipe and fittings necessary for the connection (collectively said obligations are "Lessor's obligations"). Lessor shall indemnify and hold Lessee harmless from and against any claims of any kind or nature brought by any parties arising from or relating in any manner to Lessor's obligations and Lessor's use of gas pursuant to this Lease. Lessor and Lessee expressly understand and agree that Lessee is not a gas utility company and that any free gas or overburn provided by Lessor under this Lease shall not subject Lessee to the jurisdiction of any Public Service Commission, Public Utility Commission, or similar regulatory body.

Lessee and Lessor shall mutually agree on all drill site, access road and pipeline locations. Such approval shall not be unreasonably withheld by Lessor.

To the extent required by, and with the limits established by, applicable local, Federal, and State laws and regulations, if Lessee's operations on the leased premises directly and adversely impacts any water spring or well located on the leased premises, from which Lessor obtains water for drinking, household, or agricultural purposes, Lessee shall, to the extent reasonable and practical, restore such water supply to the quality it was in prior to the start of Lessee's operations. In the alternative, Lessee may provide an alternate source of water supply of, to the extent practical, quality equal to that of the water supply prior to the start of Lessee's operations.

Lessee shall at all times during the term of the Lease honor and comply with all local, State, and Federal laws, regulations and requirements regarding any drilling operations conducted by said Lessee on the leased premises.

Lessee agrees to indemnify, defend, and save harmless, Lessor from and against any and all claims, demands, liabilities, damages, costs and expenses, in any way arising out of or incident to the use of the leased premises by Lessee. However, Lessee shall not be obligated to indemnify, defend, and save harmless Lessor from and against any claims, demands, liabilities, damages, costs or expenses that are directly or indirectly caused by, impacted by, or occasioned by the actions, omissions, negligence, gross negligence, or willful or intentional misconduct of Lessor, Lessor's successors, assigns, representatives, or agents, or any third party.

To the extent required by, and with the limits established by, applicable local, Federal, and State laws and regulations, Lessee shall pay reasonable surface damages caused by its operations on the leased premise to growing crops, timber, livestock, fences, roads, and buildings on said land.

IN TESTIMONY WHEREOF, the parties hereto have signed their respective names as of the day and date first herein written.

WITNESS:

X

MARK J. LEONARD

LESSOR:

X

WILLIAM MCDONALD

X

EQUITABLE PRODUCTION COMPANY, Lessee:

X

By:

Its:

STATE OF PENNSYLVANIA

COUNTY OF BEAVER

I, Lorraine Vandine a Notary Public in and for said County, in the State aforesaid, certify that **WILLIAM MCDONALD, a married man dealing in his sole and separate property**, personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person in the State and County aforesaid, and acknowledged and delivered the said instrument to be their act and deed for uses and purposes therein set forth.

Given under my hand this 15 day of July, A.D., 2008.

My commission expires

Notary Public

[NOTARY SEAL]

COMMONWEALTH OF PENNSYLVANIA

Notarial Seal
Lorraine Vandine, Notary Public
Shippingport Boro, Beaver County
My Commission Expires Dec. 18, 2011
Member, Pennsylvania Association of Notaries

COMMONWEALTH PENNSYLVANIA
STATE OF

COUNTY OF

ALLEGHENY

LOUISE A. BUGNA

CAROL HOCH a Notary Public in and for said County, in the State aforesaid, certify that **ATTORNEY-IN-FACT** of Equitable Production Company, appeared before me this day in person in the State and County aforesaid, and acknowledged and delivered the said instrument to be their act and deed on behalf of said company for uses and purposes therein set forth.

Given under my hand this 16th day of OCTOBER, A.D., 2008.

My commission expires

Notary Public

[NOTARY SEAL]

COMMONWEALTH OF PENNSYLVANIA

Notarial Seal
Louise A. Bugna, Notary Public
Mt. Lebanon Twp., Allegheny County
My Commission Expires Nov. 19, 2008